

Message Text

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ORIGIN EUR-12

INFO OCT-01 SIL-01 ISO-00 EB-07 SS-15 COME-00 SSO-00 NSC-05

NSCE-00 CCO-00 /041 R

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P R 290040Z JUL 75 ZFF4

FM SECSTATE WASHDC

TO USDEL SECRETARY PRIORITY

INFO AMEMBASSY MOSCOW

CONFIDENTIAL STATE 177764 TOSEC 080104

E.O. 11652: GDS

TAGS: EEW, EAGR, EWW, ELAB, UR

SUBJECT: U.S. SHIPPING AND THE SOVIET GRAIN PURCHASES

FOR SONNENFELDT AND HARTMAN

1. FOLLOWING IS TALKING POINTS/ISSUES PAPER ON GETTING
A FAIR SHARE FOR U.S. SHIPPING IN THE U.S.-SOVIET GRAIN
TRADE, FOR POSSIBLE USE WITH BREZHNEV.

2. TALKING POINTS.

-- I AM PLEASED THAT WE HAVE THUS FAR BEEN ABLE TO MEET
SOVIET GRAIN IMPORT REQUIREMENTS FROM U.S. SUPPLIES.

-- IT IS ESSENTIAL IN TERMS OF YOUR INTEREST AND OURS TO
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ENSURE THAT THE TERMS OF THE 1972 US-USSR MARITIME AGREEMENT ARE APPLIED IN THE SHIPMENT OF THIS GRAIN.

-- THIS MEANS THAT PARITY WILL HAVE TO BE MAINTAINED

BETWEEN US AND SOVIET SHIPPING IN MOVING THE GRAIN CARGOES.
-- THIS YEAR, A SERIOUS IMBALANCE HAS DEVELOPED IN FAVOR
OF SOVIET SHIPPING. THE IMBALANCE HAS RESULTED FROM A

FAILURE TO ESTABLISH A MUTUALLY ACCEPTABLE FREIGHT RATE
HIGH ENOUGH TO ENABLE U.S. VESSELS TO PARTICIPATE IN
THE TRADE.

-- THE AMERICAN MARITIME UNIONS HAVE EXPRESSED GENERAL
CONCERN OVER THE GRAIN SALES, AND FAILURE TO MAINTAIN
PARITY IN THE SHIPPING OF THE GRAIN MAY LEAD THE LONG-
SHOREMEN TO REFUSE TO LOAD THE SHIPMENTS.

-- IN ORDER TO RESTORE PARITY IT IS ESSENTIAL TO SETTLE
THE FREIGHT RATE PROBLEM ON AN URGENT BASIS.

3. BACKGROUND/ANALYSIS.

--- THE 1972 US-USSR MARITIME AGREEMENT PROVIDES THAT
PARITY (MEASURED BY WEIGHT CARRIED) MUST BE MAINTAINED
IN THE MOVEMENT OF GRAIN CARGOES. DURING 1974, U.S.
VESSELS CARRIED A LARGER SHARE (48 PERCENT) OF THE
GRAIN CARGOES THAN SOVIET VESSELS (23 PERCENT). HOWEVER,
THE BALANCE SHIFTED THE OTHER WAY IN THE FIRST HALF OF
1975 (25 PERCENT FOR U.S. VESSELS, 48 PERCENT FOR
SOVIET).

--- THE BALANCE WILL REMAIN HEAVILY IN THE SOVIET FAVOR
UNLESS AGREEMENT CAN BE REACHED ON A FREIGHT RATE. THE
1972 MARITIME AGREEMENT REQUIRES THAT GRAIN CARGOES BE
OFFERED AT A MUTUALLY ACCEPTABLE RATE. SINCE MARCH, WE
HAVE BEEN UNABLE TO AGREE WITH THE SOVIETS ON A RATE
HIGH ENOUGH TO ENSURE U.S. FLAG PARTICIPATION.

--- THE MARITIME ADMINISTRATION ASKED THE SOVIETS ON JULY
22 FOR NEGOTIATIONS ON THE FREIGHT RATE PROBLEM, IN VIEW
OF THE SUBSTANTIAL SOVIET PURCHASES OF U.S. GRAIN. AN
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EXCHANGE OF CABLES HAS THUS FAR NOT PRODUCED A SATIS-
FACTORY RESULT. (THESE NEGOTIATIONS ARE SEPARATE FROM
ONGOING TALKS ON THE RENEWAL OF THE MARITIME AGREEMENT,
WHICH EXPIRES AT THE END OF THIS YEAR).

--- THE POSSIBILITY OF ILA INTERFERENCE WITH THE GRAIN
SHIPMENTS SHOULD BE AN ADDED INCENTIVE FOR THE SOVIETS
TO MOVE QUICKLY NOW TO SETTLE THE FREIGHT RATE PROBLEM.

--- AT THEIR CONVENTION IN MIAMI LAST WEEK, THE ILA
ADOPTED A RESOLUTION AUTHORIZING THEIR PRESIDENT, THOMAS
W. GLEASON, TO FORBID THE LOADING OF GRAIN SHIPMENTS TO
THE SOVIET UNION IF HE DETERMINED THAT THE SHIPMENTS

WERE CONTRARY TO THE INTERESTS OF THE AMERICAN PEOPLE.
THE LEADERS OF THE MARITIME UNIONS ARE MEETING IN
CHICAGO ON JULY 29 TO DECIDE WHAT ACTION TO TAKE.

--- THE ILA RESOLUTION EXPRESSED CONCERN OVER THE
EFFECTS OF THE GRAIN SHIPMENTS ON CONSUMER PRICES IN THE
U.S. IN THE PAST, THE ILA HAS ALSO COMPLAINED THAT
THE US-USSR MARITIME AGREEMENT HAS WORKED TO THE DISADVAN-
TAGE OF THE U.S.

--- THE ILA LEADERSHIP HAS INDICATED THAT IT DOES NOT
INTEND TO BLOCK THE GRAIN SHIPMENTS AT THIS TIME.
HOWEVER, IT WOULD BE MORE LIKELY TO DO SO IF IT TURNED
OUT THAT MOST OF THE GRAIN WAS BEING SHIPPED ON SOVIET
OR THIRD COUNTRY VESSELS.

4. CLEARED: S/IL (GOOD), EB (STEINMETZ), MARAD (BOURDON)
AND C(KELLY). INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GRAINS, MARINE TRANSPORTATION, SALES, TOSEC
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE177764
Document Source: ADS
Document Unique ID: 00
Drafter: EUR/SOV:WEDGAR:MB
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: D750260-0520
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197507107/baaaaqmc.tel
Line Count: 129
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 13 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 JUN 2003 by CunninFX>; APPROVED <27 OCT 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 971021
Subject: n/a
TAGS: EAGR, ELAB, EWWT, UR, US, EEWWT
To: SECRETARY INFO MOSCOW
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006